

MINUTES OF MEETING

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

WEDNESDAY, JUNE 18, 2014, AT 3:00 P.M.

IN THE MARY BRENNAN BOARD ROOM,

T. F. GREEN AIRPORT, 2000 POST ROAD

WARWICK, RHODE ISLAND

The meeting of the Rhode Island Airport Corporation (“Corporation”) Finance and Audit Committee was called to order by Chair of the Committee, Deborah M. Thomas, at 3:08 p.m., in the Mary Brennan Board Room at T. F. Green Airport, 2000 Post Road, Warwick, Rhode Island, in accordance with the notice duly posted pursuant to the Open Meetings Law.

COMMITTEE MEMBERS PRESENT: Deborah M. Thomas and Jon Savage

COMMITTEE MEMBERS ABSENT: Bradford Dimeo.

ALSO PRESENT: Kelly J. Fredericks, P.E., A.A.E., President and CEO; and those individuals listed on the attendance sheet attached hereto.

1. Approval of the Minutes:

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the Minutes of the Finance and Audit Committee Meeting of September 18, 2013. The motion was passed unanimously.

2. Action Item:

(a) Consideration of and Action Upon Approval of the Fiscal Year 2015 Budget.

Mr. Fredericks commended Mr. Schattle, Ms. Williams and the Finance Department on the comprehensive and user friendly budget submitted for approval.

Mr. Schattle gave an overview of the FY 2015 budget process noting that a bottom-up approach was taken in development of the budget and a meeting was held with each department head to discuss specific needs and perspectives. Mr. Schattle stated it was a cooperative budget process. Discussion focused on the Operating Budget, Other Income and Expense Budget, InterLink Facility Budget, Operating Capital Budget, Debt Service Budget, and the Capital Improvement Program Budget.

Mr. Schattle gave an overview of revenues including airline revenues, concession revenues and parking revenues, noting that airline revenues category is the largest line item and had increased primarily due to the inclusion of the costs associated with the Deicer

Management System in the rate base. Mr. Schattle noted the Cost Per Enplanement (CPE) increased from \$11.50 in the prior year to \$12.50 in the budget. Mr. Schattle also noted that the increase was planned with the airlines and was discussed at a recent meeting with airline representatives.

Mr. Schattle discussed personnel expenses and noted there was an increase in payroll expenses based the planned hiring of five additional staff members. Mr. Schattle noted four of the hires are planned for the Glycol Treatment Facility which will correspond with a decrease in outside glycol maintenance services. Mr. Schattle also noted the budget also assumes a 2% pay increase consistent with the Collective Bargaining Agreement as well as an expected increase in healthcare insurance premiums at the February policy renewal date.

Mr. Schattle gave an overview of general operating maintenance costs and noted an increase in utility costs due to rate increases. Mr. Schattle noted an action item to approve installation of exterior LED lighting in coordination with National Grid will be brought to the July Board Meeting. This project is anticipated to reduce utility costs with an anticipated two and a half year payback period and is budgeted in the Capital Improvement Program Budget.

Mr. Schattle noted an increase in marketing expenses as part of an aggressive airline incentive program. Mr. Fredericks stated the incentive program has been thoroughly vetted by the Federal Aviation

Administration (FAA) and outside counsel. Mr. Fredericks noted this program will be evaluated case by case for a return on investment. The increase in training and education and travel line items were to promote industry networking and education. It was noted internal controls are in place for travel and training expenses.

Mr. Schattle gave an overview of general aviation revenue and expenses and noted a contingency is in place for lost revenues related to the Runway16/34 closure and limitations at Quonset State Airport.

Mr. Schattle gave an overview of grant income and expenses and noted an increase in expenses due to the Noise Mitigation Program. It was noted RIAC will be reimbursed 80% to 90% of the eligible costs from the Federal Aviation Administration.

Mr. Schattle gave an overview on the InterLink Facility noting that Customer Facility Charges (CFCs) are the largest revenue source for the facility and have been increased to \$6.00 per transaction day.

Mr. Schattle gave an overview of the Operating Capital Budget and noted that two of the items, the storage area network (SAN) and the overhead roadway message board, account for more than 50% of the category.

Mr. Schattle provided an overview of debt service and noted that

bonds issued in 2004 will be eligible for refunding on July 1st. Staff is developing an RFP for a direct bank loan. There was further discussion on bonds and grants.

Mr. Schattle provided an overview of the Capital Improvement Program budget. Mr. Schattle discussed several projects including the Deicer Management System, the Runway 16/34 Safety Area Project, and the Runway 5/23 Extension at T. F. Green Airport. It was noted that an Economic Impact Study and an Airport System Plan Update are included in the budget.

Ms. Thomas thanked Mr. Schattle and RIAC staff for their thorough work and explanations on the FY 2015 budget.

A motion was made by Mr. Savage and seconded by Mr. Thomas to approve the FY 2015 budget in substantially the form presented, subject to Board approval. The motion was passed unanimously.

(b) Consideration of and Action Upon Approval to Bind Insurance Policies that are Effective on June 30, 2013.

Mr. Schattle gave an overview of the policies. It was noted the renewals were slightly less this year due to decreased worker's compensation premiums. The recommendation is that the Committee authorizes the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2014 as recommended

by Willis of Massachusetts, Inc. and RIAC management, subject to Board approval.

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the following resolution:

WHEREAS, the Rhode Island Airport Corporation (RIAC) is responsible for the maintenance and operation of airport facilities at the six Rhode Island airports; and

WHEREAS, RIAC carries General Liability Insurance, Aircraft Hull and Liability Insurance, Property Insurance, Automobile Insurance, Inland Marine (Mobile Equipment) Insurance, Crime Insurance, Fiduciary Insurance, Cyber Insurance, Workers' Compensation Insurance, Pollution Insurance, Flood Insurance, Storage Tank Insurance and Director's and Officer's Insurance policies; and

WHEREAS, all policies except for Pollution, Director's and Officer's, Storage Tank and Flood have renewal dates of June 30, 2014; and

WHEREAS, RIAC utilizes the brokerage services of Willis of Massachusetts, Inc. (Willis) to competitively market its Insurance Program; and

WHEREAS, after an extensive renewal process, Willis and RIAC management recommend that the following policies be bound

effective June 30, 2014; and

WHEREAS, RIAC's proposed fiscal year 2015 budget provides funding for these policies through its Operating & Maintenance (O & M) budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

That the Committee authorizes the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2014 as recommended by Willis of Massachusetts, Inc. and RIAC management, subject to Board approval.

The motion was passed unanimously.

3. Future Meetings:

The next meeting will be announced.

4. Adjournment:

Mr. Savage moved to adjourn at approximately 3:48 p.m. Ms. Thomas seconded the motion. The motion was carried by acclamation.

Respectfully submitted,

**Deborah M. Thomas, Chair
Finance and Audit Committee of
the Rhode Island Airport Corporation**

**ATTENDANCE SHEET
RHODE ISLAND AIRPORT CORPORATION
FINANCE AND AUDIT COMMITTEE
JUNE 18, 2014**

Brian Schattle RIAC

Peter Frazier RIAC

Nicole Williams RIAC

Liberty Luciano RIAC

Doug Dansereau RIAC

Jeff Goulart RIAC

Nancy Rogers Willis of Massachusetts

Robert Goff New England Parking

Raymond Choiniere House Policy Office